

# Thrift Savings Plan Pre-Separation Seminar

PRESENTED BY

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FEDERAL RETIREMENT THRIFT INVESTMENT BOARD



**Thrift Savings Plan**

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# Agenda

- Preparing for Separation: First Steps
- The TSP Retirement Income Options
- Other Considerations: Withdrawal Rules
- TSP Death Benefits
- Getting Help: Resources for Participants

# Preparing for Separation

First Steps

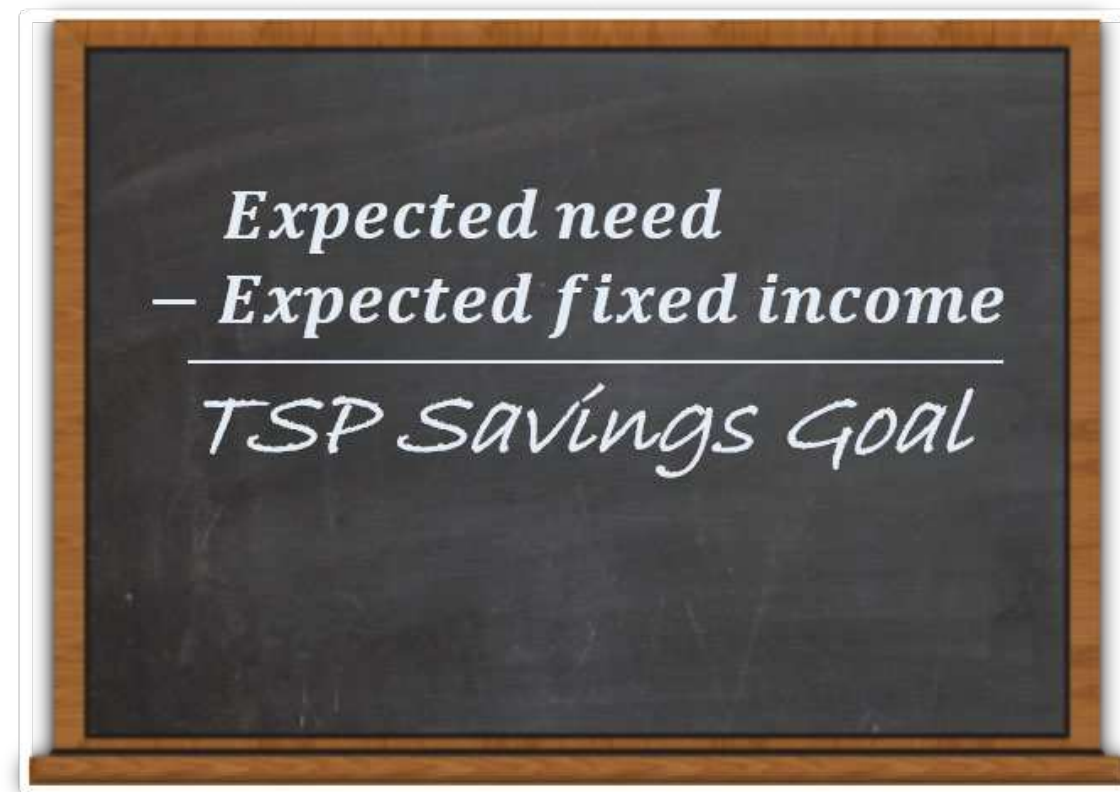
# Sources of Retirement Income



**Pension(s)**

**Social Security**

**Savings (TSP)**



# Contribution Considerations

There is a \$22,500 annual limit (CY 2023) on your regular TSP contributions and a \$7,500 annual limit (CY 2023) on “Catch-up” contributions



**All contributions you make to employer plans\* (including the TSP) during the same calendar year count toward the IRS elective deferral limit**

**You CAN contribute the maximum amount over LESS than the full tax year\*\***

\*Governmental 457(b) plans have separate limit (not aggregated with other plans)

\*\*For any pay periods a FERS or BRS participant doesn't make a contributions, there will be no corresponding matching agency/service contribution. (will miss out on matching)

# Separating with an outstanding loan

- You may separate with an outstanding loan and you can:
  - Pay the loan off in full or,
  - Begin making payments by the deadline the TSP will give you, and
  - You may make additional payments to pay it off sooner
- Since you will no longer be on a federal payroll, you must make payments by check, money order, or direct debit
- If you do not make payments, the outstanding balance and accrued interest will be treated as taxable income and the loan will be foreclosed\*
  - If you separate before the year you turn 55 and the loan is foreclosed, you may be subject to the IRS 10% early withdrawal tax
  - You cannot repay a balance once it has been foreclosed

\* At 90 days from date provided on letter to separated participant

# The TSP Retirement Income Options

Turning Savings to Income



# Consider Your Options

- If your balance at separation is less than \$200, that amount will be paid to you and your account will be closed
- If you don't need income from your account immediately, you can leave your savings in the TSP until you're ready
  - However, according to IRS rules, you must begin to take "Required Minimum Distributions" by April 1st of the year following the year you become 73 AND are separated from service
- You can still roll over balances from traditional IRAs or eligible employer retirement plans into your TSP account
- If you keeping your balance in your TSP account, you can:
  - Make changes to your investment mix by making fund reallocations and fund transfers
  - Take advantage of the TSP's ultra low costs and the well-designed investment fund options
  - Defer income taxes on your TSP balance until you're ready to begin receiving distributions

# Distribution Methods

- **Partial/Total Distributions**
- **Installments** (fixed dollar amount or based on life expectancy)
- **Purchase an Annuity**

**If account has both Traditional and Roth balances, you may take a distribution from either balance first or pro-rata from both**



# Distribution Methods – Partial/Total Distributions

- You can receive a distribution of all or part of your TSP account
- Must be at least \$1,000
- Not more than one in any 30-day period
- May take a partial distribution of part of your account even if you're currently receiving installments
- No lifetime limit

# Distribution Methods – Installments

- Fixed dollar amount or based on life expectancy
  - May schedule a date up to six months in the future for these installments to begin
  - Payments will continue, unless you stop them, until your total account balance equals zero
  - Frequency may be monthly, quarterly, or annually

# Installments

## Fixed Dollar Amount

- Amount specified by participant (minimum is \$25)
- You may:
  - Choose the date to process your first installment payment
  - Change the dollar amount
  - Change the frequency
  - Stop them
  - Change the source (traditional, Roth, or both)
  - Start, stop, or change direct deposit accounts

## Life Expectancy

- Payments computed based on IRS life expectancy table
- Amounts are calculated using your entire account balance
- You can model potential installments in My Account without committing to them
- You may:
  - Choose the date to process your first installment payment
  - Adjust amount of tax withholding
  - Change to fixed dollar amount
  - Stop them
  - Change the source (traditional, Roth, or both)
  - Start, stop, or change direct deposit of your installments

# Life Expectancy Payments

## Single Life Table\*

| Age | Distribution Period | Approximate Percentage |
|-----|---------------------|------------------------|
| 62  | 25.40               | 3.94%                  |
| 63  | 24.50               | 4.08%                  |
| 64  | 23.70               | 4.22%                  |
| 65  | 22.90               | 4.37%                  |
| 66  | 22.00               | 4.55%                  |
| 67  | 21.20               | 4.72%                  |
| 68  | 20.40               | 4.90%                  |
| 69  | 19.60               | 5.10%                  |
| 70  | 18.80               | 5.32%                  |
| 71  | 18.00               | 5.56%                  |
| 72  | 17.20               | 5.81%                  |

***RMD = Previous year's account balance divided by Distribution Period***

\*Note: The table above is not the complete table

# TSP Life Annuity

- Income is assured for the life of the annuitant(s)
- Funds are transferred from TSP to the annuity provider, and benefits are “locked in” when the request is processed

|                                | Single Life | Joint Life with Spouse | Joint Life with Other Survivor |
|--------------------------------|-------------|------------------------|--------------------------------|
| Survivor benefit (50% or 100%) |             | ✓                      | ✓                              |
| Level payments                 | ✓           | ✓                      | ✓                              |
| Increasing payments            | ✓           | ✓                      |                                |
| Cash refund                    | ✓           | ✓                      | ✓                              |
| 10-year certain                | ✓           |                        |                                |

# TSP Life Annuity pros & cons



- Eliminates longevity risk
- Payments not subject to market risk
- Total lifetime payout could be more than if kept in TSP account (if you live a long life)
- No account management or account maintenance charges
- You can choose level or increasing payments depending on your needs
- You can choose a “death payment” option to a beneficiary if your death is sooner than you think it will be



- You no longer have access to withdrawals of that portion of your income
- After you purchase an annuity, you can't change your mind and go back
- Level payments will mean your purchasing power will decrease
- If you don't add a “death benefit” option, and your death is sooner than you think it will be, the total payout could be less than the amount you used to purchase your annuity and there is no “death benefit for anyone





## Retirement Income Modeler

Your monthly income goal:

★ \$0

Based on percentage of your desired pre-retirement income.

Your projected monthly income gap:

\$--,---

Start modeling to see if you are on track.

Your projected TSP balance at age 89:

\$--,---

Based on your modeler inputs.

Monthly Income Goal: \$0   Other Retirement Income: \$0   Social Security Income: \$0   Federal Retirement Program Annuity: \$0   TSP Annuity: \$0   TSP Installments: \$0

About You   TSP Balance   Other Retirement Income   **TSP Distributions**

[Learn more about the assumptions used for these calculations.](#)

**What payments would you like to model?**

☐ Installment Payments

☐ Annuity Purchase (Guaranteed Payments)

☐ Single Withdrawal

[Read Disclaimers](#)

[CLEAR TSP DISTRIBUTIONS](#)

### Projected Value of TSP Account

Approximate value at retirement age 63 is \$--,---

Thousands

Age

Pre-Retirement TSP Account Balance

Post-Retirement TSP Account Balance

[More Information About the Chart](#)

# Annuity payout rate\*

- The annual payout rate is the amount you will receive each year for the rest of your life divided by the premium you paid
- Example:
  - If the premium was \$100,000 and the payout is \$649 per month (\$7,784 for the year) then,  $\$7,784 \div \$100,000 = 7.78\%$
- Payout rate is directly comparable to a sustainable withdrawal rate from initial retirement date assets for an investment portfolio

(Both rates incorporate the idea that principal is spent in addition to any investment returns)

Based on an example assuming Single Life annuity at age 65, level payments, no cash refund or 10-year certain feature with an annuity interest rate index of 4.2

## ESTIMATED TSP Annuity Payout Rates based on a Single Life Annuity with level payments, no cash refund, no 10-yr certain option and a premium of \$100,000 as of September 2023

Monthly payments are calculated using the Payment and Annuity calculator based on an annuity interest rate index of 4.45\*

| Age | Monthly payment | Annual payment | Payout rate | Age to break even |
|-----|-----------------|----------------|-------------|-------------------|
| 60  | \$600           | \$7,200        | 7.20%       | 73.89             |
| 65  | \$665           | \$7,979        | 7.98%       | 77.53             |
| 70  | \$751           | \$9,014        | 9.01%       | 81.09             |
| 75  | \$883           | \$10,600       | 10.60%      | 84.43             |
| 80  | \$1,094         | \$13,123       | 13.12%      | 87.62             |
| 85  | \$1,434         | \$17,204       | 17.20%      | 90.81             |

These are **ONLY ESTIMATES**. Actual projected annuity payments MUST BE CONFIRMED through TSP at the time of purchase.

# Required Minimum Distributions (RMDs)

- The required beginning date for RMDs depends on your age and when you separate. If you separate:
  - Prior to age 73 – Your first RMD will be that calendar year
  - At 73 or later – Your first RMD will be the calendar year you separated (even if it was Dec 31)
- You must receive the total RMD amount for that first distribution year by April 1 of the following calendar year
- Participants who have either NOT made a payment election or have received payments that total less than the RMD amount, are identified and a payment is automatically calculated and made to them on March 1 of the applicable year
- For the second and all subsequent years, participants must receive their total RMD amount by Dec 31
  - If necessary, a final payment is automatically calculated and made by Dec 31 to ensure participants receive the total amount required for the calendar year
- RMDs are determined using the IRS Uniform Lifetime Table

# Required Minimum Distributions

## Uniform Lifetime Table

| Age | Distribution Period | Approximate Percentage | Age | Distribution Period | Approximate Percentage |
|-----|---------------------|------------------------|-----|---------------------|------------------------|
| 73  | 26.5                | 3.77%                  | 82  | 18.5                | 5.41%                  |
| 74  | 25.5                | 3.92%                  | 83  | 17.7                | 5.65%                  |
| 75  | 24.6                | 4.07%                  | 84  | 16.8                | 5.95%                  |
| 76  | 23.7                | 4.22%                  | 85  | 16.0                | 6.25%                  |
| 77  | 22.9                | 4.37%                  | 86  | 15.2                | 6.58%                  |
| 78  | 22.0                | 4.55%                  | 87  | 14.4                | 6.94%                  |
| 79  | 21.1                | 4.74%                  | 88  | 13.7                | 7.30%                  |
| 80  | 20.2                | 4.95%                  | 89  | 12.9                | 7.75%                  |
| 81  | 19.4                | 5.15%                  | 90  | 12.2                | 8.20%                  |

**RMD = Previous year's account balance divided by Distribution Period**

\*Note: The table above is not the complete table

\*\*Roth balances will no longer be subject to RMDs prior to the participant's death

†Note: A participant who is receiving installment payments based on Life expectancy via the Single Life table, may opt to continue to receive RMD payments based on that table, or they opt to receive payments based on the Uniform Lifetime table beginning at age 73.

Source: TSP.gov: [Tax Rules About TSP Payments](#)

# Other Considerations

Withdrawal Rules

# Mutual Fund Window

- Any money you have invested in our mutual fund window must be transferred to a TSP fund before it can be distributed
- Money in the mutual fund window is included in the calculation for life expectancy installment amounts, the expected duration of fixed-dollar-amount installments, and RMDs

# Spouses' Rights

| Retirement Plan                   | Requirement   | Exceptions  |
|-----------------------------------|---|---|
| <b>FERS or Uniformed Services</b> | Spouse must provide signed (electronic or paper) consent for the distribution to be processed.  | You may request an exception to these spouses' rights requirements by requesting, completing, and submitting the exception request form. But exceptions are granted only in rare circumstances. |
| <b>CSRS</b>                       | TSP must notify your spouse of your distribution. This is also true if you request a change in the amount or frequency of installments since this could affect the amount available for an annuity. |   |

- If account balance is less than \$3,500, spouse's signature/notice is not required
- If married but no spouse signature: Spouse entitled to Joint Life Annuity with 50% Survivor Benefit, Level Payments, and no cash refund feature



# Tax Treatment for TSP Payments

| Type of Payment   | Eligible for Roll Over?                       | Federal income tax withholding rate                    |
|---|---|--|
| Total or partial distribution by a separated or beneficiary participant | Yes   | 20% (mandatory) unless rolled over                     |
| Installments for less than 10 years (fixed dollar amount)               | Yes   | 20% (mandatory) unless rolled over                     |
| Age 59½ in-service withdrawal   | Yes   | 20% (mandatory) unless rolled over                     |
| Foreclosed loan (post-separation)                                       | Indirect rollover only (using personal funds) | Not applicable   |
| Installments for 10 years or more (fixed dollar amount)                 | No  | Single with zero exemptions (may be changed or waived) |
| Installments based on life expectancy                                   | No  | Single with zero exemptions (may be changed or waived) |

# Withholding for Periodic Payments

(Example based on default of Single with no exemptions)

| Withdrawal amount | Withholding |
|-------------------|-------------|
| \$540             | \$0         |
| \$1040            | \$50        |
| \$1460            | \$100       |
| \$2300            | \$201       |

# Receiving Installment Payments

- If you are receiving installment payments, the following could result in a change to the withholding rules for the taxable portion of your payments:
  - Change the dollar amount or frequency
  - Change from installments based on life expectancy to payments of a fixed dollar amount
  - Roll over money into your TSP account
  - Take a partial distribution in addition to your installment payments



# Changing Payment Scenario

## Before change – \$1,000/month

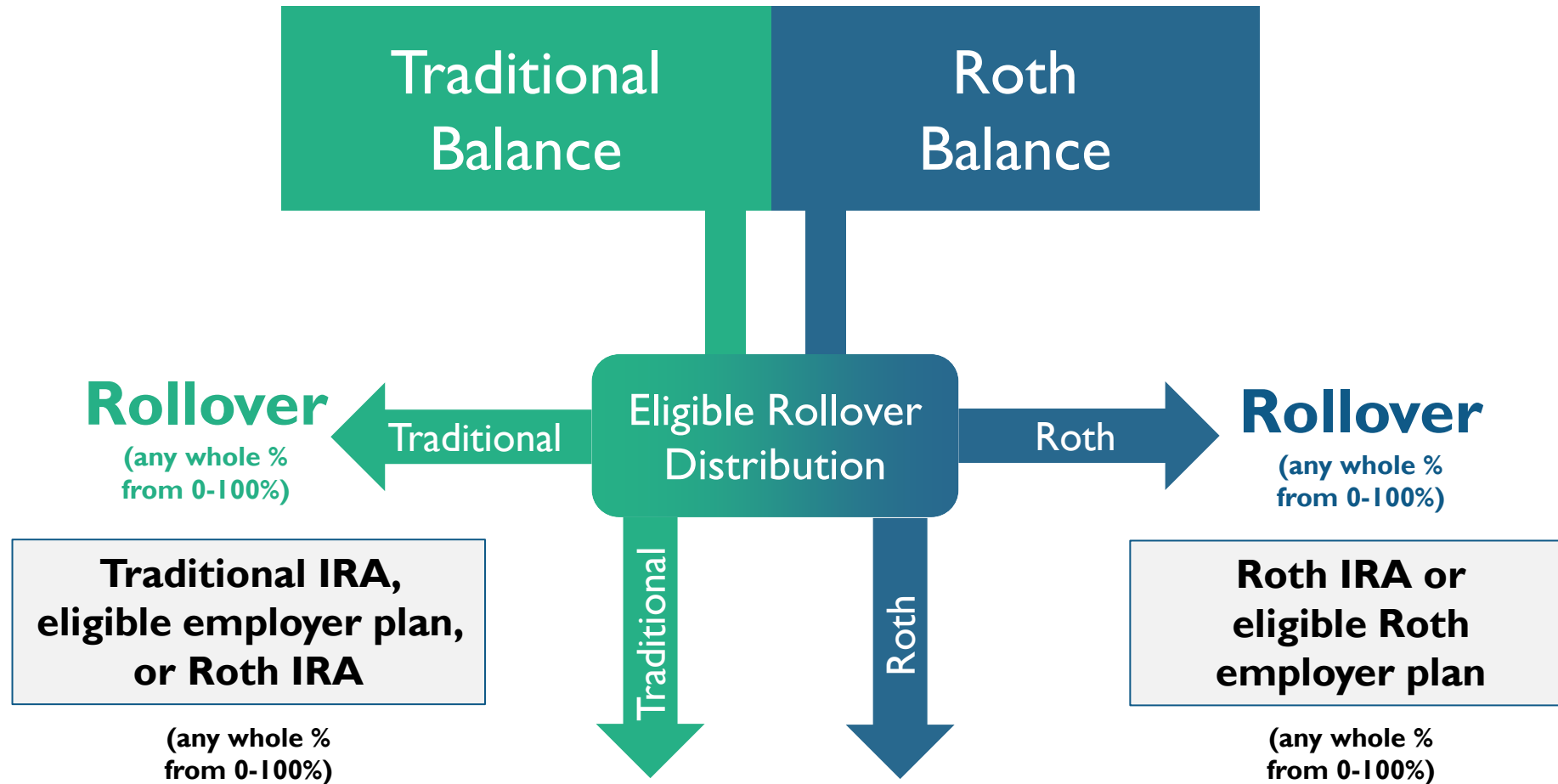
- **Balance = \$150,000**
- Estimated number of payments = 150
  - **150** months is more than 10 years\* so, payment type = **periodic payments**
  - Withholding – As if single with no exemptions – (\$0)
- **Net monthly payment - \$1,000**

## After change – \$1,200/month

- **Balance = \$100,000**
- Estimated number of payments = 84.34
  - **84** months is fewer than 10 years\*, so payment type = **eligible rollover distribution**
  - Withholding – 20% (\$240)
- **Net monthly payment - \$960**

\*The rules for federal tax withholding and eligibility to rollover to an IRA or eligible employer plan are different depending on how long the installments are expected to last. The expected duration of installments is determined using the account balance, the payment amount chosen, and an assumed earnings rate.

# Eligible Rollover Distributions



## Distribution to Participant

Whatever isn't transferred will be distributed and the Traditional balance is eligible to be rolled over within 60 days

# Exceptions to the IRS Early Withdrawal Penalty

**The 10% IRS Early Withdrawal Penalty does not apply to payments that are:**

- Received at age 59½ or later, or received after you separate/retire during or after the year you reach age 55 (or the year you reach age 50 if you are a public safety employee as defined in section 72(t)(10)(B)(ii) of the IRC)
- TSP monthly payments based on life expectancy
- Lifetime annuity payments
- Ordered by a domestic relations order
- Made because of death
- Made from a beneficiary participant account
- Received in a year you have deductible medical expenses that exceed 7.5% of your adjusted gross income
- Received as a result of total and permanent disability
- Received by military reservists called to active duty for a period in excess of 179 days & distribution is received between date of order or call and close of active duty period

# TSP Death Benefits

# TSP Death Benefits – Beneficiaries

- By default, death benefits are disbursed according to “statutory order of precedence:”
  - 1) Spouse
  - 2) Natural and adopted children
  - 3) Parents
  - 4) Appointed executor or administrator of your estate
  - 5) Next of kin
- Alternatively, you may designate beneficiary(ies) online or by calling the Thriftline
  - To change a designation of beneficiary, the participant must submit to the TSP record keeper a new TSP designation of beneficiary
  - Can be any individual, firm, corporation, or legal entity, may be designated as a beneficiary
  - Can name up to 20 total primary beneficiaries to share the death benefit
  - All primary beneficiaries must be deceased for a contingent beneficiary to receive anything
  - A beneficiary may be designated without the knowledge or consent of that beneficiary or the knowledge or consent of the participant’s spouse





# Spouse Beneficiaries – Beneficiary Participant Accounts

- The TSP record keeper will automatically transfer a surviving spouse's death benefit to a beneficiary participant account established in the spouse's name
- When a beneficiary participant account is established, the account balance will be allocated to the TSP funds in which the deceased participant's account balance was invested on his or her date of death
- BPA account owner will have same investment and withdrawal options as separated TSP participants
- BPA accounts cannot accept rollovers from other plans or IRAs
- Fund reallocations and fund transfers follow same rules that apply to all account holders
- A beneficiary participant may not make contributions or rollovers to his or her beneficiary participant account

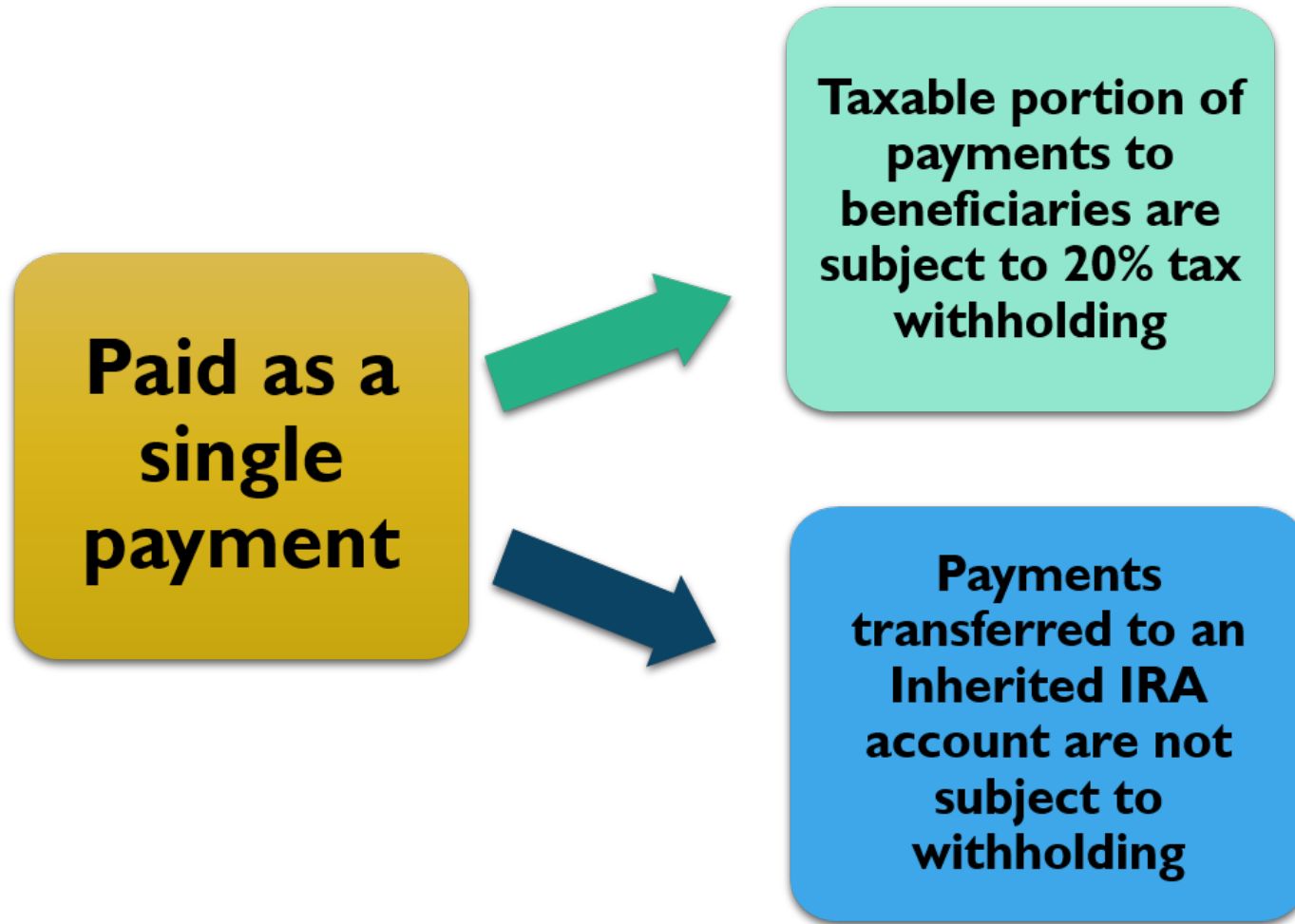
# Beneficiary Participant Account Rules

- Death benefit payments from a BPA are single (non-periodic) payments to the designated beneficiaries
  - Subject to 10% federal withholding
  - Cannot be rolled over to an IRA (to include inherited IRA) or eligible employer plan
- Required Minimum Distributions from BPA:
  - Begin date is based on age of the deceased TSP participant
  - Amount is based on age of the beneficiary

# Considerations with BPA Rollovers

|                                       | BPA  | Other Employer Plan   | IRA   |
|---------------------------------------|--|---|---|
| <b>Successor Beneficiaries</b>        | Death benefit payments to successor beneficiaries may not be rolled over                                     | Death benefit payments to successor beneficiaries may be rolled over                      | Death benefit payments to successor beneficiaries may be rolled over      |
| <b>Early Withdrawal Penalty</b>       | No penalty on early distributions  | No penalty on distributions after age 59½<br>Exceptions exist – see “exceptions slide”    | No penalty on distributions after age 59½<br>(other exceptions may apply) |
| <b>Spousal Rights</b>                 | Spousal rights not applicable  | Spousal rights apply <b>per</b> applicable laws and plan rules                            | Spousal rights not applicable   |
| <b>Required Minimum Distributions</b> | Required beginning date based on age of deceased participant & Required payment amount based on spouse’s age | Required beginning date based on when beneficiary turns 73 or retires, whichever is later | Required beginning date based on when beneficiary turns 73                |

# Non-Spouse Beneficiaries



## Inherited IRAs

- Requires non-spouse beneficiaries to withdraw all assets of an inherited account within 10 years
- Beneficiaries may want to seek assistance of a tax professional to discuss options

# Resources for Participants

Getting Help

# Contacting the TSP

## We're here to help.



### AVA virtual assistant

[Get help from AVA](#), the TSP virtual assistant, to get answers to general questions. To ask AVA account-specific questions and to connect to a ThriftLine Representative during business hours for a live chat session, log in to My Account and select the icon found on the bottom right of the page.



### ThriftLine: 1-877-968-3778 (toll-free)

**Business Hours:** Monday - Friday from 7:00 a.m. to 9:00 p.m. eastern time

**International:** (404) 233-4400 (not toll-free)

**711 TTS Relay:** Persons with a hearing or speech disability may utilize the free Telecommunications Relay Service (TRS) by dialing 711 from any telephone.



### Email us

For general inquiries, you can email [thriftline@tsp.gov](mailto:thriftline@tsp.gov). Do not email personally identifiable information or documents. Please note that you cannot request account transactions by email.



### General mailing address

ThriftLine Service Center  
C/O Broadridge Processing  
PO Box 1600  
Newark, NJ 07101-1600

**General fax number**  
1-276-926-8948



### Secure participant mailbox

For account-specific communication sent to you electronically, log in to [My Account](#) and select the notification icon on the far right to access your Secure Mailbox.



### Feedback

Use the feedback form to let us know how well TSP meets your needs. We do not respond to feedback submitted through this page. Do not leave personally identifiable information.

[Feedback](#)



# Forms and Resources



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Manage your plan ▾ Fund options ▾ Fund performance ▾ Use your savings ▾ Life changes ▾

Home > Forms and resources

## Forms and resources

All

Beneficiary participants and death benefits

Contributions

Funds and investments

Loans

Nonpay status

Tax information and legal documents

Withdrawals and distributions

## Forms and resources

You can complete most TSP transactions entirely online. When you [log in to My Account](#), you'll find tools and instructions to request withdrawals and distributions, designate beneficiaries, change your TSP investments, and more.

On this page, you can view and download publications and fact sheets with detailed information about your Thrift Savings Plan options and benefits.

For a full overview of the Thrift Savings Plan, read our booklet, [Summary of the Thrift Savings Plan \(342kb\)](#).

## Forms

[Add and update a beneficiary](#)

MY ACCOUNT

To add or update beneficiary information, log in to My Account.

Adding and updating one or more beneficiaries to your account is easy to do and only takes a few minutes online. Before you get started, be sure to have the Social Security number, full name, birth date, and address of each beneficiary. If your beneficiary is a trust, an estate, or another organization, you'll need to know the trustee's, executor's, or business's information.

[Change your TSP investments](#)

MY ACCOUNT

You can change your investment election for new money coming into your TSP account and move money among funds within your account when you log in to My Account.

[Request a TSP loan](#)

MY ACCOUNT

To apply for a TSP loan, log in to My Account to begin the request. You don't need to complete a paper loan application, but you may need to submit supporting documentation, depending on the type of loan you request.

[Request an in-service withdrawal or post-separation distribution](#)

MY ACCOUNT

To request a TSP withdrawal or distribution, log in to My Account to begin the request. You don't need to complete a paper withdrawal form.

[Transfers to the Thrift Savings Plan from eligible retirement plans](#)

MY ACCOUNT

To roll over money from another qualified employer's plan to your TSP account, log in to My Account to start your rollover request.

## Resources

[Annual Limit on Elective Deferrals \(84kb\)](#)

FACT SHEET

This fact sheet explains the annual IRS elective deferral limit and what to do about an excess deferral if you contribute too much during the year.

Posted: May 2022 • 3 Pages

[Annuities \(83kb\)](#)

FACT SHEET

This fact sheet explains life annuities, one of the TSP distribution options after you separate from service or have a beneficiary participant account established.

Posted: May 2022 • 4 Pages

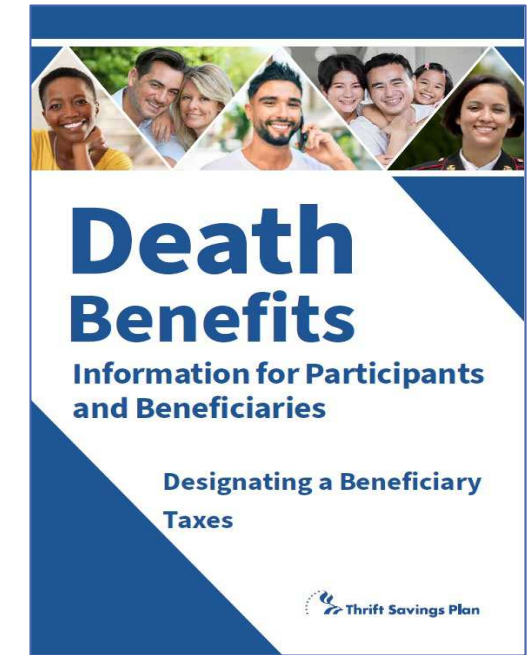
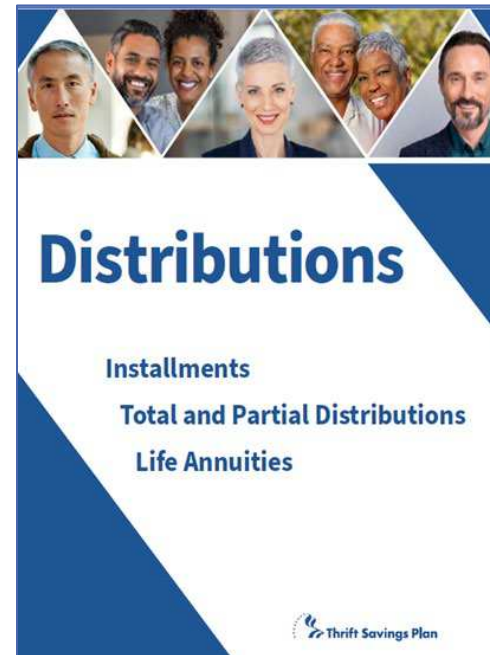
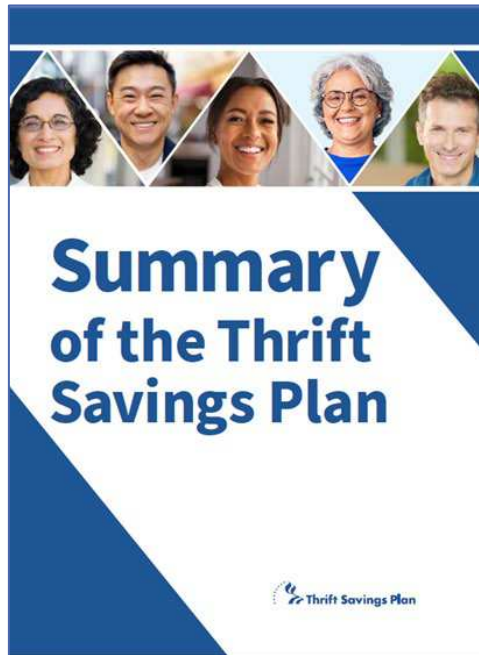


# Thrift Savings Plan

<https://www.tsp.gov/forms/>



# TSP Publications



We offer 5 individual funds that you can customize based on your comfort level.

| C FUND<br>Common Stock Index Investment Fund  | S FUND<br>Small Capitalization Stock Index Investment Fund   | I FUND<br>International Stock Index Investment Fund  | F FUND<br>Fixed Income Index Investment Fund   | G FUND<br>Government Securities Investment Fund  |
|---|--|--|--|--|
| <b>What It Is:</b> Stocks of large and medium-sized U.S. companies.<br><b>Pros:</b> Potential for high investment returns over the long term.<br><b>Risks:</b> Can be volatile depending on stock market performance.<br><b>Benchmark Index:</b> Standard & Poor's 500 Stock Index. | <b>What It Is:</b> Stocks of small to medium-sized U.S. companies.<br><b>Pros:</b> Potential for high investment returns over the long term.<br><b>Risks:</b> Can be volatile depending on stock market performance.<br><b>Benchmark Index:</b> Dow Jones U.S. Completion TSM Index. | <b>What It Is:</b> International stocks from more than 20 developed countries.<br><b>Pros:</b> Potential for high investment returns over the long term.<br><b>Risks:</b> Can be volatile depending on stock market performance.<br><b>Benchmark Index:</b> MSCI EAFE Stock Index. | <b>What It Is:</b> Government, corporate, and asset-backed bonds.<br><b>Pros:</b> May earn returns that are higher than money market funds over the long term with relatively low risk.<br><b>Risks:</b> Bond prices fall when interest rates rise. Bonds may be repaid early, reducing your returns.<br><b>Benchmark Index:</b> Bloomberg Barclays U.S. Aggregate Bond Index. | <b>What It Is:</b> Government securities that are specially issued to the TSP.<br><b>Pros:</b> Does not lose money; has a consistent but relatively low investment return.<br><b>Risks:</b> Your money may not grow enough to meet your retirement needs or outpace inflation. |

For more comprehensive information, visit [tsp.gov](http://tsp.gov) and select "Learn about fund options" from the menu.





# Survey

Thank you for taking the time to complete this short survey about your recent TSP training event. Your participation in this survey is voluntary but keep in mind the FRTIB (TSP) Education and Outreach Division uses these to improve the learning experience for TSP Participants, Beneficiaries, Agency and Service Representatives.



Please consider your answers carefully. This survey will be used to improve our services and provide you with information that is timely, relevant, and informative

**<https://www.surveymonkey.com/r/LXMRMZ>**

